

February 21, 2007

Via Hand Delivery

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
The Public Service Commission of S.C.
P. O. Drawer 11649
Columbia, S.C. 29211

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FEB 21 2007

PSC SC
DOCKETING DEPT.

CCNY
Posted: lool
Dept: S.A
Date: 2/22/07
Time: 10:00

RE: **Docket No. 2006-37-C**/Petition of the Office of Regulatory Staff for a Rule-Making Proceeding to Examine the Requirements and Standards to Be Used by the Commission When Evaluating Applications for Eligible Telecommunications Carrier ("ETC") Status and When Making Annual Certification of ETC Compliance to the Federal Communications Commission

Dear Mr. Terreni:

Enclosed for filing are an original and one copy of Verizon South Inc.'s (hereinafter, "Verizon's") Comments in response to the Office of Regulatory Staff's (hereinafter, "ORS") Petition in the above referenced docket.

By copy of this letter, I am serving all parties of record with a copy of the Comments as indicated on the attached Certificate of Service.

If you should have any questions concerning this matter please contact my office.

With kind personal regards, I am


Steven W. Hamm
C. Jo Anne Wessinger Hill

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2007 FEB 21 PM 4:28
SC PUBLIC SERVICE
COMMISSION

Enclosures

cc: Ms. Nanette S. Edwards, Esquire (ORS)

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2006-37-C

IN RE:

Petition of the Office of Regulatory Staff for)	
a Rule-Making Proceeding to Examine the)	COMMENTS OF VERIZON SOUTH INC.
Requirements and Standards to Be Used by)	
the Commission When Evaluating Applications)	
for Eligible Telecommunications Carrier (ETC))	
Status and When Making Annual Certification)	
of ETC Compliance to the Federal)	
Communications Commission)	

VERIZON'S COMMENTS CONCERNING PROPOSED ETC GUIDELINES

As permitted by the Commission's Directive of February 7, 2007 in this docket, Verizon South Inc. ("Verizon") files these comments concerning the Commission Staff's proposed Guidelines for Designating Eligible Telecommunications Carriers and Requirements for Existing Eligible Telecommunications Carriers ("Proposed Guidelines").

I. INTRODUCTION

This proceeding commenced after the Office of Regulatory Staff ("ORS") requested that a carrier's petition for designation as an Eligible Telecommunications Carrier ("ETC") be held in abeyance and that the Commission "initiate a rule making proceeding to determine whether multiple ETCs should be authorized and to develop a single set of eligibility standards for ETC designation."¹ Verizon filed comments on July 27, 2006 in which it asserted that (i) FCC eligibility requirements should not apply to incumbent local exchange carriers ("incumbent LECs"); (ii) the FCC annual certification and reporting requirements should not apply to

¹ ORS Motion to Hold Petition in Abeyance, p. 4.

incumbent LECs; and (iii) the Commission should adopt presumptive limits on the number of ETCs in rural and non-rural study areas. Verizon again raised these points at the Commission workshop on October 12, 2006.

The Proposed Guidelines respond to Verizon's comments by limiting the application of ETC eligibility requirements to new applicants, which is a sensible approach. They go on, however, to require all ETCs to comply with annual reporting requirements, even though many of these requirements are unnecessary and burdensome for ETCs that are incumbent LECs. Moreover, the Proposed Guidelines fail to establish presumptive limits on the number of ETCs in rural and non-rural study areas, which may lead to further, unwarranted growth of the federal universal service fund. Verizon's concerns with the proposed reporting requirements and the lack of any limitation on ETC designations are addressed below.

II. THE PROPOSED ANNUAL CERTIFICATION AND REPORTING REQUIREMENTS SHOULD NOT APPLY TO INCUMBENT LECs

The initial ETCs in South Carolina were, like Verizon, incumbent LECs, which are subject to extensive regulation and oversight by the Commission. New ETCs, in contrast, may be subject to very little Commission regulation and oversight. Although all of the proposed certification and reporting requirements may be necessary for carriers as to which the Commission has inadequate information, imposing all of them on incumbent LECs serves no valid purpose. This Commission already receives detailed information on a regular basis concerning the operations of incumbent LECs, making many of the additional requirements redundant and unnecessary.

The following table lists five of the reporting requirements proposed in the Proposed Guidelines² that are particularly inappropriate for ILECs and the corresponding reasons why the requirements should not be applied to them:

Proposed Guideline Requirement	Reason Requirement Should Not Apply to Incumbent LECs
(1) Progress report on carrier's two-year quality improvement plan	Under the Proposed Guidelines, incumbent LECs would not submit two-year quality improvement plans, so there would be nothing for them to report. In any case, ILECs file quarterly service reports, which provide the information necessary for the Commission to assess incumbent LECs' performance.
(2) Detailed information on outages	Incumbent LECs are required to report service outages as they occur, making this requirement redundant.
(3) The number of requests for service from potential customers that were unfilled	Incumbent LECs have relatively mature networks and provide adequate assurance of service through their tariffs, making this requirement unnecessary.
(4) The number of complaints or reports per 1000 handsets or access lines	Incumbent LECs already report this information quarterly, making this requirement redundant.
(5) Certification that the ETC is complying with applicable service quality standards and consumer protection rules	Incumbent LECs file service reports quarterly, which are subject to audit, making this requirement redundant.

Because these requirements in the Proposed Guidelines would serve no purpose with respect to incumbent LECs, Verizon urges the Commission to limit their application to new ETCs.

² Guidelines, D(a).

III. THE COMMISSION SHOULD LIMIT THE NUMBER OF ETCs DESIGNATED

The Commission should adopt a presumption that there should be only one ETC in a rural study area.³ This limit would avoid excessive demands on the universal service fund and is permitted by Section 214(e) of the Communications Act, which allows, but does not require, more than one ETC in a rural study area. In non-rural study areas, the Commission should also adopt presumptive limits on ETC designations consistent with Section 214(e)(2). ETCs should not be allowed to create or maintain wholly duplicative networks founded on the possibility of USF support, at a time when USF support mechanisms are already strained and the high cost fund is growing at an alarming rate. Total high cost disbursements have grown from approximately \$1.7 billion in 1999 to a projected \$4.2 billion annually by the end of 2006.⁴ Without effective control, the demand for high cost funding will continue to rise. Any further growth in the fund may cause it to exceed the capacity of any carrier-based contributions system, thereby undermining the long-term sustainability of the universal service program as a whole.

An additional way to impose limits on the number of ETCs and to ensure the ETC program functions rationally would be to perform a more rigorous public interest analysis prior to granting new ETC applications. The FCC reached the same conclusion with respect to service throughout a wire center, holding that “requiring a competitive ETC to serve an entire wire center will make it less likely that the competitor will relinquish its ETC designation at a later

³ Application of this restriction could be revisited as appropriate if the FCC implemented broader high cost fund reforms and transitioned to a new subsidy distribution system including reverse auctions and other competitive bidding mechanisms.

⁴ Industry Analysis & Technology Div., Trends in Telephone Service, at Table 19.3 (Apr. 2005) (“Trends in Telephone Service”) available at http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/trend605.pdf; Federal Universal Support Mechanisms Fund Size Projections for the Fourth Quarter 2006, Appendix HC02 - High Cost Support Projected by State - 4Q 2006 available at <http://www.universalservice.org/about/governance/fcc-filings/2006/quarter4/default.aspx> (projecting annualized high-cost support funding to be \$4.2 billion).

date and will best address cream-skimming concerns in an administratively feasible manner.”⁵ Unfortunately, the Proposed Guidelines do not impose this requirement, leaving open the significant likelihood that new ETCs will attempt to serve only the high density portions of wire centers. As drafted, the Proposed Guidelines would encourage carriers to apply for ETC status solely in the hopes of lining their pockets with USF subsidies from other carriers, but without producing any gains in universal service. The Proposed Guidelines should be amended to require that ETCs serve entire wire centers, not just the most profitable parts.

IV. CONCLUSION

For the foregoing reasons, the Commission should not impose new, more burdensome ETC requirements upon incumbent LECs such as Verizon. The Commission should impose both an upper limit on the number of ETCs designated in rural and non-rural study areas and a more rigorous public interest analysis prior to designating new ETCs.

⁵ ETC Order at ¶ 77. *See also* 47 C.F.R. § 54.202(c) (“In instances where an eligible telecommunications carrier applicant seeks designation below the study area level of a rural telephone company, the Commission shall also conduct a cream-skimming analysis that compares the population density of each wire center in which the eligible telecommunications carrier applicant seeks designation against that of the wire centers in the study area in which the eligible telecommunications carrier applicant does not seek designation.”).

Respectfully submitted this 21st day of February, 2007.

By: 

Steven W. Hamm

C. Jo Anne Wessinger Hill

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**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2006-37-C

IN RE:

Petition of the ORS for a Rule-Making Proceeding))	CERTIFICATE OF SERVICE
to Examine the Requirements and Standards))	
to Be Used by the Commission When Evaluating))	
Applications for ETC Status and When Making))	
Annual Certification of ETC Compliance to))	
<u>the Federal Communications Commission</u>))	

This is to certify that I have caused to be served this day, February 21, 2007, one (1) copy of Verizon's COMMENTS to the Petition of the ORS in the above referenced docket by placing a copy of same in the care and custody of the United States Postal Service, first class postage prepaid to the following Party(s) of Record as follows:

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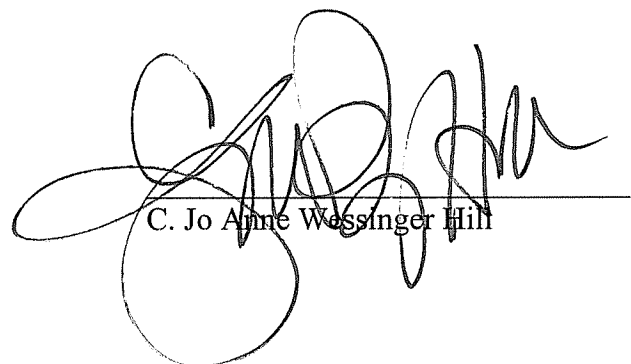
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